

**THE BUDGET STILL TOPS THE NEWS!**

Please pardon us for beginning to sound like a broken record about the current budget mess facing the state. Two weeks ago we reported that the massive budget deficit was between \$21 and \$30 billion. Last week we upped the ante to \$30 billion, and today the latest projection is almost \$35 billion! Hopefully, the deficit projection for January 1, 2003 won't be approaching \$38 billion....

The Assembly Budget Committee held a hearing earlier in the week at the Capitol. Assembly Budget subcommittees (specifically, health and human services, education, and state administration) also held hearings in Los Angeles, San Jose, and Alameda County. The topic was "Mid-year budget adjustments." The Senate's Budget Committee did not hold any hearings this week. However, legislative staff told us that the committee will be "full speed ahead in January." Although the Senate has not announced its new committee chairs for next year, Senator Wes Chesbro's office told us that Chesbro (D - Eureka - Santa Rosa) is the new chair of the Senate Budget and Fiscal Review Committee.

The former chair of the Senate Budget Committee (Steve Peace, D - San Diego) was termed out of office last month. However, Peace will be returning to the Capitol in mid-January as Governor Davis's new Director of Finance. Current Director of Finance Tim Gage decided to resign after serving as the Director since Davis took office four years ago.

Since the budget mess is about the only thing being talked about around the Capitol these days, briefly, here are a few key things being discussed: (1) No one will escape budget cuts. From the court system to the colleges and universities everyone should expect to operate

with less. (2) Possible tax hikes include: raise the car registration fee; higher income taxes for the wealthy and a minimum tax for families in the lower and middle-income levels; increase the sales tax; tax amusement and recreation services; raise the tobacco tax; and a tax on certain services - including legal and medical. (3) The current tax system needs to be changed. There is too much dependence upon the income tax, and tax loopholes need to be closed. And (4) the "blame game" continues and as expected, many of our elected officials have their own theory as to what or who caused the problem.

Finally, yesterday Standard and Poor's its credit rating lowered California's voter-approved general obligation bonds which should add to the state's cost of borrowing money. A Standard and Poor's representative said the downgrade means California drops into a tie with Louisiana as the state with the lowest credit rating.

**ALSO AROUND THE CAPITOL**

- Secretary of State Bill Jones officially announced what most political observers around here have felt since the day after the election: The November 2002 election had the worst voter turnout in state history. Only 50.6 percent of those people who bothered to register went to the polls last month.
- Newly elected Assembly member Mark Leno (D - San Francisco) will chair the Assembly Public Safety Committee.

Because the Capitol traditionally shuts down for the final week of the year, the "Sacramento Scene" will return after the holidays. We hope you have a very happy and healthy holiday season.